

2019 DRAFTING REQUEST

Bill

For: Administration-Budget 6-1923

Drafter: mshovers

By: Quinn

Secondary Drafters:

Date: 1/2/2019

May Contact:

Same as LRB:

Submit via email: YES

Requester's email:

Carbon copy (CC) to: doasbostatlanguage@wisconsin.gov
Erika.Lunder@legis.wisconsin.gov

Pre Topic:

DOA:.....Quinn, BB0160 -

Topic:

Child and dependent care tax credit for individuals

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 1/4/2019				
/P1	mshovers 2/19/2019	kfollett 1/7/2019	dwalker 1/7/2019		State
/P2		aernstr 2/19/2019	lparisi 2/19/2019		State

FE Sent For:

<END>

Shovers, Marc

From: Kreye, Joseph
Sent: Monday, December 31, 2018 6:41 PM
To: Shovers, Marc
Cc: Lunder, Erika
Subject: FW: Statutory Language Drafting Request - 2019-21

FYI

From: Cathlene Hanaman [cathleneh@gmail.com]
Sent: Saturday, December 29, 2018 4:15 PM
To: Kreye, Joseph; Lunder, Erika
Subject: Fwd: Statutory Language Drafting Request - 2019-21

Sent from my iPhone

Begin forwarded message:

From: "brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>"
<brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>>
Date: December 28, 2018 at 2:58:27 PM MST
To: <Cathlene.Hanaman@legis.wisconsin.gov<mailto:Cathlene.Hanaman@legis.wisconsin.gov>>
Cc: <Paul2.Ziegler@wisconsin.gov<mailto:Paul2.Ziegler@wisconsin.gov>>,
<Brian.Quinn@wisconsin.gov<mailto:Brian.Quinn@wisconsin.gov>>
Subject: Statutory Language Drafting Request - 2019-21
Reply-To: <brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>>

Biennial Budget: 2019-21

Topic: Child and Dependent Care Credit

-493

Tracking Code: BB0160

SBO Team: TLGED

SBO Analyst: Quinn, Brian D - DOA
Phone: (608) 266-1923
E-mail: brian.quinn@wisconsin.gov<mailto:brian.quinn@wisconsin.gov>

Agency Acronym: 566

Agency Number: 566

Priority: Low

Intent:

Repeal the current law child and dependent care subtraction under s. 71.05(6)(b)43 beginning with tax year 2020.

Create a nonrefundable credit equal to 50 percent of the federal credit for child and dependent care expenses, also effective beginning with tax year 2020.

Attachments: False

Please send completed drafts to
SBOSatlanguage@spsmail.enterprise.wistate.us<mailto:SBOSatlanguage@spsmail.enterprise.wistate.us>



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1193/P1
MES: *sf*

DOA:.....Quinn, BB0160 - Child and dependent care tax credit for individuals

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

This bill creates a nonrefundable individual income tax credit based on the federal tax credit for expenses for household and dependent care services necessary for gainful employment. Under the bill, an individual who is eligible for and claims the federal tax credit for expenses for household and dependent care services may claim 50 percent of the same amount as a nonrefundable credit on his or her Wisconsin income tax return. Under the bill, the Wisconsin credit may not be claimed by a part-year or nonresident of this state.

This bill also sunsets the current law individual income tax subtract modification that allows a taxpayer a deduction for the same expenses for which the credit may be claimed.

Generally, the federal credit is a nonrefundable individual income tax credit that may be claimed by an individual for employment-related expenses for household services and dependent care services for a qualifying individual. Because the credit is nonrefundable, it may be claimed only up to the amount of a taxpayer's tax liability. Under federal law, a qualifying individual is someone who has the same principal place of abode as the claimant for more than one-half the year, is the

claimant's dependent, and is 1) a child 12 or under; 2) a child 13 or older who is incapable of self-care; or 3) the claimant's spouse who is incapable of self-care.

The federal credit may be claimed for expenses to enable the claimant to be gainfully employed or actively search for gainful employment. Generally, allowable expenses for a qualifying individual under federal law include costs for in-home care or daycare, nursery school or preschool programs, and before-school and after-school care for school-age children. Depending on the claimant's adjusted gross income, the credit may be worth between 20 percent and 35 percent of the claimant's allowable expenses, up to a maximum annual amount of \$3,000 if there is one qualifying individual and up to \$6,000 if there are two or more qualifying individuals.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.05 (6) (b) 43. d. of the statutes is amended to read:

2 71.05 **(6)** (b) 43. d. For taxable years beginning after December 31, 2013, and
3 before January 1, 2020, up to \$3,000 if the claimant has one qualified individual and
4 up to \$6,000 if the claimant has more than one qualified individual.

5 **SECTION 2.** 71.07 (8m) of the statutes is created to read:

6 71.07 **(8m)** ADDITIONAL HOUSEHOLD AND DEPENDENT CARE EXPENSES TAX CREDIT.

7 (a) *Definitions.* In this subsection:

8 1. "Claimant" means an individual who is eligible for and claims the household
9 and dependent care expenses tax credit for the taxable year to which the claim under
10 this subsection relates.

11 2. "Household and dependent care expenses tax credit" means the tax credit
12 under section 21 of the Internal Revenue Code.

13 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
14 claimant may claim as a credit against the tax imposed under s. 71.02, up to the

1 amount of those taxes, an amount equal to 50 percent of the amount of the household
2 and dependent care expenses tax credit that the taxpayer claimed on his or her
3 federal income tax return for the taxable year to which the claim under this
4 subsection relates.

5 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
6 is claimed within the time period under s. 71.75 (2).

7 2. No credit may be allowed under this subsection for a taxable year covering
8 a period of less than 12 months, except for a taxable year closed by reason of the death
9 of the taxpayer.

10 3. The credit under this subsection may not be claimed by either a part-year
11 resident or nonresident of this state.

12 4. The credit under this subsection may be claimed for taxable years beginning
13 after December 31, 2019.

14 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
15 under that subsection, applies to the credit under this subsection.

16 **SECTION 3.** 71.10 (4) (cs) of the statutes is created to read:

17 71.10 (4) (cs) Additional household and dependent care expenses tax credit
18 under s. 71.07 (8m).

19 (END)

specified threshold amount, the taxpayer may claim the subtraction under this subdivision ~~in an amount such that the sum reduced by the amount of the taxpayer's entire noncapital gains adjusted federal adjusted gross income and the taxpayer's net federal capital gains does not~~ that exceeds the threshold amount:"

- Page 3, lines 4 and 5 – clarify that an estate or trust is subject to the \$100,000 threshold:

"71.05 (6) (b) 9. a. For a an estate, trust, single individual or an individual who files as a head of household, \$100,000."

1193/P1 – New child care credit

- Page 3, line 1: replace "taxpayer" with "claimant"
- The current subtraction for child care expenses under sec. 71.05(6)(b)43.e. has a provision which subjects the claimant to special rules in 26 USC 21(e)(2) and (4), relating to disallowance of the federal credit for married individuals filing separate returns, unless they qualify as head of household. Suggest adding similar language for the Wisconsin child care expenses credit under s. 71.07(8m)(c) after line 12 on page 3:

"5. A claimant who claims the credit under this subsection is subject to the special rules in 26 USC 21 (e) (2) and (4)."

1190/P3 – New individual income tax credit (FAIR)

- Page 2, lines 11 & 12 - As written, net tax liability includes the amount of the family and individual reinvestment credit allowed, which is a circular computation. Suggested wording:

3. "Net tax liability" means a claimant's income tax liability after he or she completes the computations for nonrefundable credits listed ~~before~~ in s. 71.10 (4) ~~(h)~~ (a) to (gy).

From: Quinn, Brian D - DOA

Sent: Friday, February 15, 2019 3:09 PM

To: Oakleaf, Michael P - DOR <Michael.Oakleaf@wisconsin.gov>

Cc: Caruth, Bradley R - DOR <Bradley.Caruth@wisconsin.gov>; Schmidt, Robert K - DOR <RobertK1.Schmidt@wisconsin.gov>

Subject: Statutory Language Draft Review

Sending a number of these over. I haven't had much of a chance to review some of them myself so we'll be reviewing them in parallel. Sending over the revised IRC draft, too.

Have a good weekend!

Brian Quinn
Executive Policy and Budget Analyst - Advanced
Wisconsin Department of Administration
Division of Executive Budget and Finance
(608)-266-1923



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1193/P1

MES:kjf

P2
jake
RMB

DOA:.....Quinn, BB0160 - Child and dependent care tax credit for individuals

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

do not
go on

1 AN ACT...; relating to: the budget.

Analysis by the Legislative Reference Bureau

1.00 Child and dependent care tax credit

TAXATION

INCOME TAXATION

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claimant's dependent, and is 1) a child 12 or under; 2) a child 13 or older who is incapable of self-care; or 3) the claimant's spouse who is incapable of self-care.

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- 5 **SECTION 2.** 71.07 (8m) of the statutes is created to read:
- 6 71.07 (8m) ADDITIONAL HOUSEHOLD AND DEPENDENT CARE EXPENSES TAX CREDIT.
- 7 (a) *Definitions.* In this subsection:
- 8 1. "Claimant" means an individual who is eligible for and claims the household
- 9 and dependent care expenses tax credit for the taxable year to which the claim under
- 10 this subsection relates.
- 11 2. "Household and dependent care expenses tax credit" means the tax credit
- 12 under section 21 of the Internal Revenue Code.
- 13 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
- 14 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
- 15 amount of those taxes, an amount equal to 50 percent of the amount of the household

1 and dependent care expenses tax credit that the ~~taxpayer~~^{claimant} claimed on his or her
2 federal income tax return for the taxable year to which the claim under this
3 subsection relates.

4 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
5 is claimed within the time period under s. 71.75 (2).

6 2. No credit may be allowed under this subsection for a taxable year covering
7 a period of less than 12 months, except for a taxable year closed by reason of the death
8 of the taxpayer.

9 3. The credit under this subsection may not be claimed by either a part-year
10 resident or nonresident of this state.

11 4. The credit under this subsection may be claimed for taxable years beginning
12 after December 31, 2019.

INS
3-13

13 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
14 under that subsection, applies to the credit under this subsection.

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16 71.10 (4) (cs) Additional household and dependent care expenses tax credit
17 under s. 71.07 (8m).

18 (END)

**2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1193/P2ins
MES:kjf

INS 3-13

5 A claimant who claims the credit under this subsection is subject to the special rules in 26 USC 21 (e) (2) and (4).



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1193/P2
MES:kjf&ahe

DOA:.....Quinn, BB0160 - Child and dependent care tax credit for individuals

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

1. *Child and dependent care tax credit*

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11 resident or a nonresident of this state.

12 4. The credit under this subsection may be claimed for taxable years beginning
13 after December 31, 2019.

14 5. A claimant who claims the credit under this subsection is subject to the
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20 under s. 71.07 (8m).

21 (END)